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CENTRAL INTELLIGENCE AGENCY  
**INFORMATION REPORT**

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This is UNEVALUATED

THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.  
 THE APPRAISAL OF CONTENT IS TENTATIVE.  
 (FOR KEY SEE REVERSE)

1. Yugoslav industry currently faces the following major problems:
  - a. Incompetent management;
  - b. Poor quality production;
  - c. Inadequate quantitative production;
  - d. Poorly trained and badly paid labor supply;
  - e. Lack of foreign exchange for the purchase of raw materials and new machinery.
2. Because of these factors, industries which existed before World War II are currently operating with a production equal to 50 - 60% of their pre-war output. In addition, they usually do not operate at a profit, despite the fact that their selling prices are high.
3. Many new factories and industries have been started without adequate planning and have been located in areas where production costs are too high. The current situation of some of these post-war Yugoslav industries is as follows:
  - a. The management of the Litostroj factory in Ljubljana, designed for the production of hydroelectric turbines, is now studying the possibility of engaging in the textile machine manufacture because of their lack of success in turbine production.<sup>1</sup>
  - b. The machine tool factory at Zeleznik is currently manufacturing only pressed metal articles.<sup>2</sup>

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- c. The Aleksandar Rankovic factory at Zemun is planning to abandon the production of agriculture machinery because of lack of customers, and to start the manufacture of Diesel engines.
- d. Several hundred tractors whose engines do not function properly are standing in the yards of the motor factory at Rakovica. They cannot be sold either in Yugoslavia or abroad.
- e. The railroad factory in Nis had a three month work stoppage at the beginning of 1954 because of a coal shortage.
- f. The ceramics factory at Arandjelovac has found that Yugoslav kaolin is not suitable for the manufacture of porcelain. Using imported kaolin, the factory produced some 50,000 water closet basins (sic) which cost 16,000 dinars each to produce. The factory has not succeeded in selling these either in Yugoslavia or abroad.
- g. The new cotton spinning mill in Stip, equipped with modern machinery, produces about 40% less than similar mills in Serbia, Croatia and Slovenia because of the incompetence of the management and the use of unskilled workers. The workers are receiving only 60% of their assigned wages.
- h. The hemp factory in Cicevac lost 20,000,000 dinars in 1953 and had to be closed because there was not sufficient hemp in the area.
- i. The hemp factories in Senta, Rumenka, Doljevac and Vranjska Banja will probably be closed because of the unavailability of raw hemp in their area.

Comment

1. A report from another Government agency indicates that Litostroj is now engaged in production of turbines for export.
2. This is presumably the Ivo Lola Ribar Factory.

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